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FM AMEMBASSY WARSAW  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9190  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY  
RUEAIIA/CIA WASHINGTON DC PRIORITY  
RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 06 WARSAW 001170

SIPDIS

DEPT FOR S/EEE FOR AMB MORNINGSTAR AND REBECCA NEFF,  
EEB/ESC FOR DOUG HENGEL AND ALEX GREENSTEIN, EUR/CE FOR  
MARY GLANTZ AND MARK LIBBY, EUR FOR DAS PAM QUANRUD,  
COMMERCE FOR HILLEARY SMITH, ENERGY FOR ED ROSSI, NSC FOR  
JEFF HOVENIER AND KRISTINA KVIEN

E.O. 12958: DECL: 11/17/2014  
TAGS: [ENRG](#) [ECON](#) [EINV](#) [PREL](#) [PL](#)  
SUBJECT: AMBASSADOR MORNINGSTAR IN POLAND

REF: A. WARSAW1029  
[1](#)B. WARSAW 183  
[1](#)C. WARSAW 1037  
[1](#)D. WARSAW 1091  
[1](#)E. WARSAW 1122

Classified By: Ambassador Feinstein for reasons 1.4 (b,d).

This cable has been cleared by S/EEE Rebecca Neff.

[1](#)1. (C) Summary. Ambassador Morningstar traveled to Poland November 12-14 to meet with government, opposition and business officials on a wide range of regional energy security topics. The visit followed Vice President Biden's commitment in Warsaw to further cooperation on energy security and to expand our relationship beyond the more narrowly defined security partnership. Polish leaders detailed an aggressive agenda to advance their national energy security priorities as well as efforts in Brussels to secure a more engaged and proactive EU on energy and eastern policy. The Poles took the opportunity to request increased coordination with the U.S. on these issues. In particular, government officials sought support for their EU energy solidarity proposals, program to build nuclear power, and efforts to support democracy and reform in Ukraine and other eastern neighbors of the EU.

[1](#)2. (C) Ambassador Morningstar encouraged the Central and Eastern European EU members (the CE-10), with the most at stake in the formulation of a coherent EU policy on energy security, to unify and lead the EU in the right direction on this issue. Specifically, Morningstar urged Poland to take a leadership role in this process. The Poles agreed in general to the concept of solidarity on energy issues, and asked for US. assistance gaining support for an EU regulation on "Security of Gas Supply in the EU (See para 17). However, the Poles doubted the policy coherence of the CE-10 on this issue and were noncommittal on whether Poland would lead the charge. End Summary.

The Meetings  
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[1](#)3. (SBU) Ambassador Morningstar was in Warsaw to discuss Eurasian energy security on November 12-14.

On the government side, Ambassador Morningstar met with teams led by the following officials:

- Ministry of Economy/Energy, Deputy Minister for Nuclear, Hanna Trojanowska
- Prime Minister's Chancellery, Special Advisor for Energy,

Maciej Wozniak

- Ministry of Foreign Affairs, Deputy Minister Pawel Wojciechowski
- Office of the Committee for European Integration (UKIE), Minister Dowgielewicz

From the opposition PiS party, Ambassador Morningstar met with:

- Presidential Chancellery, President Kaczynski's Chief Foreign Policy Advisor, Ambassador Handzlik (nominally non-partisan)
- Member of Parliament Elzbieta Jakubiak

Ambassador Morningstar also met with the leadership of state-owned oil, gas, power, LNG and pipeline companies, as well as representatives from the private sector, media and NGO communities including Eugeniusz Smolar and Ambassador Janusz Reiter of the Center for International Relations.

Morningstar's Message: The U.S. Wants to Work with Poland

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14. (C) All interlocutors welcomed Ambassador Morningstar's initiative to consult in Poland on the U.S. approach to regional energy security as well as on broader questions of engagement with Poland's eastern partners. Ambassador Morningstar sent clear messages on U.S. engagement with Russia: the U.S. wants to engage Russia, but not at the expense of our principles. Like Poland, the U.S. will seek to cooperate with Russia, including on energy, but will do so according to transparent market principles. Public officials

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reacted positively to Morningstar's direct request for their advice and input on U.S. policy toward the region, both on bilateral issues and on tricky regional questions such as Ukraine, Caspian energy development, and a southern corridor.

All counterparts recognized that Morningstar's trip, following on the Vice President's visit, signaled a genuine effort to work with Poland on these tough geopolitical questions. The importance of that cooperation was highlighted by opposition parliamentarian Ela Jakubiak (PiS), who put it this way; "We cannot act rationally toward Russia when we feel that the U.S. is pulling away from us." Media coverage and participation in a public forum were positive and focused on questions concerning Ukraine and Russia.

Cooperation on Poland's Energy Security Initiatives

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15. (SBU) Government officials highlighting Poland's primary energy security initiatives for Ambassador Morningstar and pointed to four specific areas for deeper U.S.-Polish cooperation.

National Initiatives

- Nuclear power by 2020: Request assistance in developing the human capital to launch the program (REF A).
- Gas and oil storage projects: Plan to expand, by 2012, gas storage from 12% to over 25% of yearly demand.
- LNG: A planned 2.5 bcm capacity facility on the Baltic coast by 2014, primarily supplied by Qatar (REF B).
- Technology: To allow for continued use of coal (currently 95% of electricity production) to generate power in a carbon-constrained future.
- Shale gas: Poles remain unsure but US companies see great potential in Poland (REF C).
- Skanled/Norwegian Connections: A pipeline connector to Norwegian gas fields; project suspended by international partners.

Brussels Initiatives

- Energy and the Eastern Partnership: Ukraine should be

invited into the Energy Community and Brussels should proactively engage and invest in the Caspian/Caucasus region.

- Interconnections: EU support and funding for projects to connect Poland with Czech, Slovak, and Baltic gas and electric grids (REF D).
- Solidarity mechanisms: Establishing the triggers, required infrastructure, and commercial rules to govern sharing gas in response to crises, with European Commission enforcement capabilities (REF E).
- Market regulations: Increasing transparency, anti-monopoly enforcement and mandating third-party access on the EU level to facilitate national market liberalization.

#### U.S.-Polish Cooperation

- Deputy Minister Trojanowska requested assistance in developing Poland's nuclear project. She will be in Washington December 1-4 to meet with U.S. officials and request U.S. help with training and expertise.
- UKIE Minister Dowgielewicz asked for our support for Poland's proposed EU solidarity mechanisms, requesting the U.S. to weigh in favorably with the British, described as ambivalent, and the Germans, described as opponents of energy solidarity. He shared a non-paper to this effect; "Draft Regulation on Security of Gas Supply in the European Union" (See para 17).
- All GoP officials reiterated their request that the U.S. find a role to play in the EU's Eastern Partnership.
- All GoP interlocutors also expressed interest in the potential to cooperate with the U.S. on Poland's EU Presidency in the second half of 2011 as well as the new U.S.-EU energy council to advance their Brussels agenda.

#### A Leading Role in "New Europe"?

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16. (C) A constant theme in Ambassador Morningstar's meetings was "New Europe's" higher level of concern for energy security vis-a-vis "Old Europe", in part due to different perceptions of their respective vulnerabilities. Ambassador Morningstar encouraged Poland to aggressively lead a "CE-10" push in Brussels and the Caspian basin on energy security.

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Interlocutors praised the idea generally but were noncommittal and had doubts regarding the reliability of Poland's smaller neighbors, who are much more likely to be manipulated by Russia and to be timid in Brussels. Further complicating Polish leadership, the GoP of Prime Minister Tusk often seeks to distinguish Poland from its smaller neighbors within the EU and to claim Poland's "rightful place" as a power in its own right within EU councils.

17. (C) In contrast to a lukewarm response to lead the CE-10 on energy issues within the EU, Poland does seek leadership roles outside of the EU as the largest and most stable Central European state. Minister Dowgielewicz made that case to Ambassador Morningstar, arguing that a Central European voice is needed at the table in global negotiations on issues like climate change and the financial crisis. The Poles remain disappointed they have not been invited to participate in G-20 summits or major economies meetings.

#### Best of a Bad Situation: Nordstream and Interconnectors

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18. (SBU) Ambassador Morningstar shared his view that, following recent approvals by Sweden, Finland and Denmark, Nordstream now looks closer to reality, but there were likely ways for Poland and the region to make the most of it. Poles from all sides vociferously argued that Nordstream was and is a blatant attempt to circumvent and isolate Poland and other Central and Eastern European (CEE) countries. They pointed to proposed alternatives that would cost less than half the Nordstream project, including the Amber route through the Baltics and an expanded Yamal pipeline through Belarus and

Poland. Given perceived motives behind Nordstream, all public and private sector Polish officials voiced their opposition to direct Nordstream connections.

¶9. (C) President Kaczynski's advisors and other opposition (PiS) representatives passionately argued that Nordstream would provide Russia an energy weapon to manipulate Poland and Poland's eastern neighbors without disturbing supplies to Germany. They expect the worst-case scenario: a default on Yamal pipeline transit and supply commitments as gas is taken from Yamal to feed Nordstream, and regional supplies are manipulated to force political outcomes favorable to Moscow. They described Nordstream and Opal, Nordstream's extension through Germany which Polish officials viewed as distinct from the German grid, as a deliberate ring around Poland. Consistent with their overall energy strategy, PiS officials saw no reason to interconnect to any system that traded Russian gas; the focus instead must be on alternative, independent supplies such as connections to Norway or LNG.

¶10. (C) Government and company officials were less alarmed by Nordstream's recent advances, arguing that Yamal gas would continue to flow. While they agreed on Nordstream's political motives, they saw certain steps Poland was taking that, combined with their broader energy security strategy, would mitigate any threat posed by Nordstream. While no one believed that connecting to Opal or Nordstream directly would help, they saw some advantage in connecting to the German grid through the Berlin Ring (accessing "Western" gas) along with constructing a compressor at the German border to reverse Yamal in the event of a supply disruption. Government and state-owned company officials assured Ambassador Morningstar that the expansion of German interconnections, along with new Czech connections, was in the works, whereas Slovak and Baltic connections were politically approved but not yet economically feasible and would require more EU support. Polish gas monopoly PGNiG's Vice President, Dudzinski also referenced guaranteed Yamal transit fees through 2037 included in Poland's recent gas deal with Russia (REF E) as proof that Nordstream does not spell the end for Yamal and Poland's role as a transit country.

Nabucco and a Southern Corridor  
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¶11. (C) All Poles who met with Ambassador Morningstar expressed strong support of efforts to bolster the independence of former Soviet states and to secure alternative supply routes to Europe for Caspian gas. Ambassador Morningstar's meetings underscored the sense that Polish support for Nabucco goes beyond energy. It is about

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securing independence for the Caspian and minimizing EU dependence on Russia. Ambassador Morningstar reassured interlocutors that there was gas available for the project. As a starting point, Azerbaijan gas is necessary for a southern corridor. Other potential suppliers include Iraq and Turkmenistan. When asked about Iran, Morningstar said it would be a potential partner only if it complied with requirements regarding its nuclear program and rejoined the international community.

¶12. (C) PM advisor Maciej Wozniak described Nabucco as part of his vision for a parallel supply triangle, with north-south connections providing a balance to the traditional east-west supply dynamics in CEE. The triangle would interconnect CEE and draw supply from Poland's Baltic LNG, Croatian LNG, and Nabucco. As for next steps on Nabucco, Wozniak was skeptical of additional political declarations, which he viewed as meaningless in the current environment. He did, however, support an accelerated tender for Nabucco gas which, while also symbolic, would show potential suppliers that Nabucco had a market and not just a political chorus. He begrudgingly accepted that Russian gas

could be part of a diversified supply for the project. Wozniak and others in and out of government were interested in ways to work with the U.S. and expand Poland's support for a southern corridor.

#### Dealing with Gazprom

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¶13. (C) Ambassador Morningstar's counterparts were clearly pleased to be consulted by the U.S. on dealing with Russia and Gazprom, but their advice was limited. "We have to have Russia here, but on European terms," Wozniak said, echoing Ambassador Morningstar's statement of engagement without compromising on principles. A common impression shared by Polish government and company officials close to gas negotiations, was that you couldn't really deal with Gazprom because you never knew who you were talking to; a reference to Gazprom's varied political and business interests.

#### Oil: Commodity or Political Tool?

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¶14. (C) Government and state oil company officials seemed comfortable with their ability to supply Polish and regional refineries through Poland's Baltic seaports in the event of problems with Russian pipeline (Druzhba) supplies. For diversification, they seek upstream investments as far afield as Pakistan. Opposition PiS officials, however, were concerned by the southward flow of Ukraine's Odessa-Brody pipeline along with recent Russian efforts to bypass transit countries by constructing internal pipeline links - at the rate of 2 kilometers per day. They saw such developments as evidence that Russia will continue to manipulate oil supplies for political purposes. All agreed that nothing could be done on the proposed Odessa-Brody pipeline reversal without substantial progress in Ukraine, but it would remain on the GoP's agenda as both a signal of support for Ukraine and a potential diversification option in the case of future regional oil market manipulations.

#### Eastern Engagement

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¶15. (C) Government, opposition and media representatives were very interested in Ambassador Morningstar's update on U.S. efforts to reset relations with Russia as well as our engagement in Eastern Europe and the Caucasus. Poles believe Ukraine holds the key to European security, a theme that was echoed in all of Ambassador Morningstar's meetings. Officials expressed their interest in stepping up U.S.-Polish cooperation to promote stability in Ukraine and Georgia, and would like the U.S. to coordinate with EU programs, like the Eastern Partnership, designed to draw countries in the region closer to Western institutions. Brussels-oriented government officials were interested in the possibility to use the newly announced U.S.-EU energy council - with one of three tiers dedicated to energy security and markets - to draw the EU into a more proactive stance in developing energy infrastructure and market institutions in Ukraine, the Caspian and the Caucasus. Specifically regarding Ukraine, all sides seemed exhausted by the lack of progress on needed political and energy reforms.

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#### Comment: Poland as Partner on Energy Security

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¶16. (C) Ambassador Morningstar's visit helped galvanize Poland as a partner on energy security. Poland shares most of our Eurasian energy security priorities and treats them with an even greater sense of urgency. While Poles are hesitant to move too far out in front of their EU partners on market liberalization, they will continue to champion our shared agenda. They will push for transparent EU energy markets, diversification, and eastern engagement, leading or



distinguishing themselves from the CE-10 to suit their own interests. To the extent that Poles feel they are working in concert and consultation with the U.S., their closest ally, they will be more rational and effective in pushing their eastern and energy security agenda. Poland is clearly moving toward more consistent and coherent policies (Reftels) which should make it a more effective partner on these issues in Brussels and in shifting Brussels attention to the east. The challenge now is to continue the dialogue advanced by Ambassador Morningstar's visit.

117. (SBU) BEGIN TEXT OF DRAFT REGULATION:

"DRAFT REGULATION ON SECURITY OF GAS SUPPLY IN THE EUROPEAN UNION

NON-PAPER

#### Internal Gas Market as a Prerequisite

The potential of the internal market must be fully used to ensure the uninterrupted gas supplies in the European Union. However, the gas crisis in 2009 proved that large-scale disruption to the gas supplies is becoming more and more real and when it has occurred the internal gas market response has not restored the gas supplies in all Member States (Poland still suffers a deficiency of gas supply). Therefore, completion of the internal gas market is still pending to exhaust the unutilized market potential. It is thus a matter of urgency to create a system which will be used in cases where the current EU gas market is no longer able to respond to the gas supply disruption autonomously.

#### Striving for a Comprehensive Community System

Having analyzed the experience in the functioning of Directive 204/67/EC it should be underlined that a new system safeguarding gas supplies in the entire EU must comprise the following elements:

- a precisely defined scope of own responsibility of Member States and gas undertakings by the establishment of infrastructure and supply standards;
- a properly and precisely defined trigger which will bring about the launching of a Community reaction appropriate for one of three crisis levels the Community may declare (early warning, alert, emergency);
- a predefined catalogue of Community measures to be put in place at all crisis levels to reduce the risk of supply disruption to the European Union due to the certainty of the Community reaction.

#### EU Gas Interest Represented by the Commission

The primary responsibility for security of gas supply is held by the gas undertakings and the national competent authorities. Should the actions planned or undertaken at the national level undermine the security of gas supply to any other Member State, the involvement of the European Commission as a coordinator is desired to ensure the energy security of the European Union as a whole. Moreover, the European Commission should coordinate actions towards the restoration of the normal functioning of the internal gas market as being declared on a voluntary basis by the Member States and the gas undertakings, including those which have not been directly affected by the gas crisis.

#### Functioning of the EU Gas Market Secured by the Commission

If the voluntary action undertaken by the Member States and

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gas undertakings in a coordinated way turns out to be ineffective, the European Commission should be entitled to

enforce the predefined measures on its own responsibility. However, the measures enforced by the European Commission should be limited exclusively to those which are necessary to restore the functioning of the internal gas market.

#### Solidarity Mechanism Accompanied by Fair Compensation

The European Commission should also develop Community compensation mechanisms based on a predefined market referral pattern, including an appropriate premium for natural gas undertakings that made available their resources for restoring the functioning of the internal gas market. The premium should be established at a level which would encourage the Member States and the natural gas undertakings to improve their own security of gas supply in a market-based manner rather than to develop their own crisis strategy relying exclusively on the Community solidarity mechanism."

FEINSTEIN